COUNCIL DECISION

of 21 June 2013

abrogating Decision 2009/590/EC on the existence of an excessive deficit in Romania

(2013/318/EU)

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 126(12) thereof,

Having regard to the recommendation from the European Commission,

Whereas:

(1) On 7 July 2009, following a recommendation from the Commission in accordance with Article 104(6) of the Treaty establishing the European Community (TEC), the Council decided, in Decision 2009/590/EC [1], that an excessive deficit existed in Romania. The Council noted that the general government deficit reached 5,4 % of GDP in 2008, thus above the 3 %-of-GDP Treaty reference value, while the general government gross debt was 13,6 % of GDP, well below the 60 %-of-GDP Treaty reference value [2].

(2) On 7 July 2009, in accordance with Article 104(7) TEC and Article 3(4) of Council Regulation (EC) No 1467/97 of 7 July 1997 on speeding up and clarifying the implementation of the excessive deficit procedure [3], the Council, based on a recommendation from the Commission, addressed a Recommendation to Romania with a view to bringing the excessive deficit situation to an end by 2011('Council Recommendation of 7 July 2009'). The Council Recommendation of 7 July 2009 was made public.

(3) On 12 February 2010, in accordance with Article 126(7) of the Treaty on the Functioning of the European Union (TFEU) and Article 3(4) of Regulation (EC) No 1467/97, the Council, based on a recommendation from the Commission, acknowledging that the Romanian authorities had taken effective action in compliance with the Council Recommendation of 7 July 2009 and that unexpected adverse economic events with major unfavourable consequences for government finances had occurred in Romania, addressed a revised Recommendation to Romania with a view to bringing the excessive deficit situation to an end by 2012. This revised Recommendation was made public.

(4) In accordance with Article 4 of the Protocol on the excessive deficit procedure annexed to the Treaties, the Commission provides the data for the implementation of the procedure. As part of the application of this Protocol, Member States are to notify data on government deficits and debt, and other associated variables, twice a year, namely before 1 April and before 1 October, in accordance with Article 3 of Council Regulation (EC) No 479/2009 of 25 May 2009 on the application of the Protocol on the excessive deficit procedure annexed to the Treaty establishing the European Community [4].

(5) When considering whether a decision on the existence of an excessive deficit ought to be abrogated, the Council has to take a decision on the basis of notified data. Moreover, a decision on the existence of an excessive deficit should be abrogated only if the Commission services forecasts indicate that the deficit will not exceed the 3 %-of-GDP threshold over the forecast horizon.

(6) Based on data provided by the Commission (Eurostat), in accordance with Article 14 of Regulation (EC) No 479/2009, following the notification by Romania before 1 April 2013 and on the Commission services' 2013 spring forecast, the following conclusions are justified:

— The larger-than-expected recession in 2009 resulted in a significant shortfall in government revenue, which pushed the general government deficit to 9 % of GDP despite efforts to reduce government expenditure. Following this unexpected development and the extension of the deadline for the correction of the excessive deficit by one year, the general government deficit was subsequently reduced to 6,8 % of GDP in 2010, to 5,6 % of GDP in 2011 and to 2,9 % of GDP in 2012, which is below the 3 % of GDP Treaty reference value. The correction of the deficit has been driven mainly by strict control of expenditure growth, including through control of the public sector wage bill, a freeze in pensions and a reduction in all social benefits except pensions. It was also supported by revenue measures such as an increase in the VAT rates by 5 percentage points and a broadening of the personal income tax base. The fiscal adjustment was implemented in the context of two consecutive economic adjustment programmes supported by balance-of-payments assistance.

— The Convergence Programme for 2012 to 2016 projects the deficit to continue falling to 2,4 % of GDP in 2013 and 2,0 % of GDP in 2014. In the Commission services' 2013 spring forecast, the general government deficit is projected to decrease

[1] OJ L 202, 4.8.2009, p. 48.

[2] After the adoption of Decision 2009/590/EC, the general government deficit and debt for 2008 were revised to currently 5,8 % of GDP and 13,4 % of GDP respectively.

[3] OJ L 209, 2.8.1997, p. 8.

[4] OJ L 145, 10.6.2009, p. 1.

to 2,6 % of GDP in 2013 and to 2,4 % of GDP in 2014, based on a no-policy-change assumption, which remains below the Treaty reference value.

— The Commission services 2013 spring forecast projects the general government gross debt to increase slightly from 37,8 % of GDP in 2012 to 38,5 % of GDP in 2014.

(7) Starting from 2013, which is the year following the correction of the excessive deficit, Romania should progress towards its medium-term budgetary objective at an appropriate pace, including respecting the expenditure benchmark.

(8) In accordance with Article 126(12) TFEU, a Council Decision on the existence of an excessive deficit is to be abrogated when the excessive deficit in the Member State concerned has, in the view of the Council, been corrected.

(9) In the view of the Council, the excessive deficit in Romania has been corrected and Decision 2009/590/EC should therefore be abrogated,

HAS ADOPTED THIS DECISION:

Article 1

From an overall assessment it follows that the excessive deficit situation in Romania has been corrected.

Article 2

Decision 2009/590/EC is hereby abrogated.

Article 3

This Decision is addressed to Romania.

Done at Luxembourg, 21 June 2013.

For the Council

The President

M. NOONAN